

AR52



**MASCAN**  
CORPORATION

# Annual Report 1981

FORMERLY  
S.B. McLAUGHLIN  
ASSOCIATES LTD



Le Centre  
Sheraton



## COVER

Le Centre Sheraton Hotel is a major new addition to the renaissance of Montreal. The 862-room downtown hotel complex, a joint venture partnership between ITT Industries of Canada Limited, the Canadian affiliate of the Sheraton Corporation, and Mascan Corporation, is now open and fully operative.

## INSIDE FRONT COVER

Mississauga City Centre today; the heart of this rapidly expanding community immediately to the west of Metropolitan Toronto.



Ce rapport est également disponible en français. Pour en obtenir un exemplaire, veuillez vous adresser au:

Département des communications  
Société Mascan  
77 City Centre Drive  
Mississauga, Ontario  
L5B 1M6  
(416) 270-7000



# Corporate Directory

## Head Office

Mascan Corporation  
77 City Centre Drive  
Mississauga, Ontario  
L5B 1M6  
(416) 270-7000

## Auditors

Touche Ross & Co.

## Directors

- †\* F.A. Enfield, Q.C., Partner, Enfield, Hemmerick, Henry, Lyonde & Wood
- \* D.L. Fowles
- † P.G. Jeffrey, Director, F.H. Deacon, Hodgson Inc., F.H. Deacon & Company Limited
- R.P. Kruger, President, Dorchester Electronics, a division of Apollo Electronics Limited
- \* L.A. McLaughlin, B.B.A., LL.B.
- †\* S.B. McLaughlin, B.A., LL.B.
- J.T. Rawson, Mortgage Broker, Kopas & Burritt Financial Agents Ltd.
- \* R.E. Winter, President, R.E. Winter & Associates Limited

\*Executive Committee † Audit Committee

## Officers

S.B. McLaughlin, Chairman of the Board  
D.L. Fowles, President and Acting Treasurer  
F.W. MacDonald, Q.C., Vice-President, General Counsel & Secretary  
N. Furber, Assistant Secretary

## Transfer Agents and Registrars

Canada Permanent Trust Company  
Montreal Trust Company  
The Canada Trust Company  
National Trust Company Limited

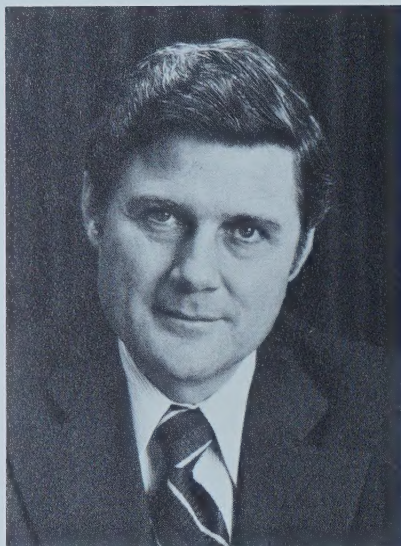
## Listing

The Toronto Stock Exchange  
The Montreal Stock Exchange





# To The Shareholders:



S.B. McLaughlin  
Chairman of the Board  
Mascan Corporation



Douglas L. Fowles  
President  
Mascan Corporation

## Financial Results

For the fiscal year ended December 31st, 1981, the Company had a loss of \$2,431,000, being \$1.57 per issued common share, compared to a net profit (including extraordinary items) of \$8,015,000 being \$1.91 per issued common share for the prior year.

## The Year 1981

1981 was a difficult year, not only in the real estate industry but throughout the economy. We have found it necessary to cut costs and to draw back temporarily from significant and worthwhile projects. Our effort has been to consolidate staff, increase efficiency, cut costs, and streamline our operations.

Nonetheless, our business activities in 1981 prepared the way for two significant sales which have produced a net profit of approximately \$3.4 million. In addition, during 1981, we substantially completed Le Centre Sheraton Hotel on Dorchester Street in Montreal in which our Company has a 50% interest with the Sheraton Corporation. The hotel officially opened on May 7th, 1982 as a flagship of the worldwide Sheraton Corporation chain of hotels.

## Britannia

The Britannia Industrial Park project operated by Traders Associates, a joint venture



between Guaranty Properties Limited and Mascan Corporation, made excellent progress during 1981, and many industries moved into new premises in this leading industrial park of the Toronto Centred Region.

### The Year 1982

Other work commenced during 1981 will continue in 1982 until we succeed in making further additional sales. This aggressive sales campaign is intended to enable the company to complete its consolidation program which has been in progress during the past few years. Based upon our expectations, we anticipate that 1982 will be a year of significant profits.

Meanwhile, our projects in Peel and Halton Regions of Ontario are being processed to the development and sales stage.

Mascan Corporation will continue to cut costs and to eliminate expensive debt. Simultaneously, however, we intend to prepare ourselves to move forward with the development of income producing properties, as well as the sale of building lots and homes.

### Comments on the Economy

Our economy is badly dislocated, largely due to excessive government expenditures and the indexation of wages and other costs. It is imperative that we cut costs, reduce inflation, and lower interest rates. The sooner

this kind of discipline is accepted by government, industries and workers, then the earlier we may expect some relief from the negative attitudes which presently permeate our society.

We have confidence in the future, and we intend to be ready to move forward as the economy recovers.


### In Appreciation

We regret the passing of Mr. Thomas Merry, in 1981, for he was a strong supporter of the Company and served ably on the Board of Directors. We welcome Mr. Richard Kruger to the Board of Directors.

On behalf of the Board of Directors, we would like to express our sincere appreciation to shareholders, officers of the Company, and employees for outstanding support during a difficult period for business.

Mississauga,  
May 12, 1982

S.B. McLaughlin  
Chairman of the Board  
Mascan Corporation



Douglas L. Fowles  
President  
Mascan Corporation

# Mascan Corporation

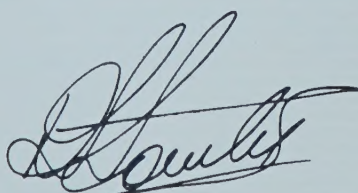
## Consolidated Balance Sheet

December 31

	Note	1981 (\$000's)	1980 (\$000's)
<b>Assets</b>			
Rental properties .....	2	\$114,541	\$100,408
Land			
Held for development .....		89,375	80,992
Under development .....		14,676	14,694
Accounts and mortgages receivable .....	3	26,405	22,501
Investments			
Non-consolidated subsidiary .....	4	6,265	-
50%-owned company .....	5	6,586	5,330
Short-term investments .....		1,000	1,600
Other assets .....	6	5,177	3,722
		<u>\$264,025</u>	<u>\$229,247</u>
<b>Liabilities</b>			
Mortgages payable and other term loans .....	7	\$155,255	\$118,983
Funded debt .....	8	20,810	28,923
Bank indebtedness .....	9	13,132	3,955
Accounts payable and accrued charges .....		16,450	10,194
Income taxes .....		3,495	1,943
Costs to complete subdivision servicing .....		6,978	8,711
Deferred income .....		1,913	2,050
		<u>218,033</u>	<u>174,759</u>
Deferred income taxes .....		11,931	15,727
<b>Shareholders' equity</b>			
Capital stock .....	10	25,613	25,602
Retained earnings .....		8,448	13,159
		<u>34,061</u>	<u>38,761</u>
		<u>\$264,025</u>	<u>\$229,247</u>

On behalf of the Board

Director 

Director 



# Mascan Corporation Consolidated Statement Of Retained Earnings

For the Year Ended December 31

	1981 (\$000's)	1980 (\$000's)
Retained earnings – beginning of year		
As previously reported .....	\$ 13,937	\$ 7,912
Prior years' adjustment for income tax reassessments of a subsidiary .....	778	488
As restated .....	13,159	7,424
Net (loss) earnings .....	(2,431)	8,015
	<u>10,728</u>	<u>15,439</u>
Dividends		
First preferred shares .....	1,080	1,080
Second preferred shares .....	1,200	1,200
	<u>2,280</u>	<u>2,280</u>
Retained earnings – end of year .....	<u>\$ 8,448</u>	<u>\$ 13,159</u>

## Auditors' Report

The Shareholders,  
Mascan Corporation.

We have examined the consolidated balance sheet of Mascan Corporation (formerly S.B. McLaughlin Associates Limited) as at December 31, 1981 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Mississauga, Ontario.  
May 12, 1982.

*Touche Ross & Co.*

Chartered Accountants

# Mascan Corporation

## Consolidated Statement of Earnings

For the Year Ended December 31

	Note	1981 (\$000's)	1980 (\$000's)
Land development			
Sales .....		\$ 12,565	\$ 2,800
Cost of sales .....		11,532	1,605
		<u>1,033</u>	<u>1,195</u>
Rental properties			
Revenues .....		33,520	29,962
Operating costs .....		22,175	20,547
Interest .....		11,011	6,866
Depreciation .....		1,469	1,336
		<u>34,655</u>	<u>28,749</u>
		<u>(1,135)</u>	<u>1,213</u>
Interest and other income .....		3,865	3,515
		<u>3,763</u>	<u>5,923</u>
Other expenses	17		
Interest .....		4,530	4,891
General and administration costs .....		4,488	4,593
		<u>9,018</u>	<u>9,484</u>
Loss from operations .....		(5,255)	(3,561)
Recovery of income taxes .....		(2,569)	(1,525)
Net loss from operations .....		<u>(2,686)</u>	<u>(2,036)</u>
Equity in:			
Earnings of 50%-owned company .....		1,256	820
Loss from non-consolidated subsidiary .....		(1,001)	(2,083)
		<u>255</u>	<u>(1,263)</u>
Net loss before the undernoted .....		(2,431)	(3,299)
Recovery of provision for reduction in value of assets (net of related tax effect of \$8,945) .....		-	7,794
Net (loss) earnings before extraordinary item .....		(2,431)	4,495
Gain on disposal of investment (net of related tax effect of \$1,600) .....		-	3,520
Net (loss) earnings .....		<u>(\$ 2,431)</u>	<u>\$ 8,015</u>
(Loss) earnings per common share			
Before extraordinary item			
Basic .....		\$ (1.57)	\$ 0.74
Diluted .....		\$ -	\$ 0.70
After extraordinary item			
Basic .....		\$ (1.57)	\$ 1.91
Diluted .....		\$ -	\$ 1.80



# Mascan Corporation

## Consolidated Statement Of Changes

### In Financial Position

For the Year Ended December 31

	1981 (\$000's)	1980 (\$000's)
<b>Source</b>		
Decrease in assets		
Short-term investments.....	\$ 600	\$ 2,400
Increase (decrease) in liabilities		
Mortgages payable and other term loans.....	36,272	(9,111)
Bank indebtedness.....	9,177	2,550
Accounts payable, income taxes and subdivision servicing costs.....	6,075	8,005
Capital stock issued		
Second preferred shares.....	9	61
Common shares.....	2	90
Sale of interest in peat moss operations.....	-	12,500
	<u>\$ 52,135</u>	<u>\$ 16,495</u>
<b>Use</b>		
Funds used in operations*.....	\$ 4,931	\$ 2,582
Increase in assets		
Investment in rental properties and land.....	23,967	3,601
Accounts and mortgages receivable.....	3,904	5,379
Investment in and advances to non-consolidated subsidiary...	7,266	1,553
Other.....	1,674	145
Decrease in funded debt.....	8,113	955
Dividends paid.....	2,280	2,280
	<u>\$ 52,135</u>	<u>\$ 16,495</u>
<b>*Funds used in operations</b>		
(Loss) earnings before extraordinary item.....	(\$ 2,431)	\$ 4,495
Adjustments for non-fund items included in earnings:		
Deferred income taxes.....	(3,796)	6,765
Deferred income.....	(137)	-
Depreciation and amortization.....	1,688	1,634
Equity in earnings of 50%-owned company.....	(1,256)	(820)
Operating loss of non-consolidated subsidiary.....	1,001	2,083
Recovery of provision for reduction in value of assets.....	-	(16,739)
	<u>(\$ 4,931)</u>	<u>(\$ 2,582)</u>



# Mascan Corporation

## Notes To Consolidated Financial Statements

December 31, 1981

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### 1. Summary of significant accounting policies

#### a) General

These financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards. The accounting policies followed and financial statement disclosures are substantially in accordance with the recommendations of the Canadian Institute of Public Real Estate Companies, of which the Company is a member.

#### b) Consolidation

The financial statements include:

- i) The accounts of the Company and all its subsidiary companies, except for a subsidiary company to be disposed of which is accounted for on the equity basis.
- ii) The Company's proportionate share of assets, liabilities, revenue and expenses of incorporated and unincorporated joint ventures in real estate projects.
- iii) The Company's investment in a 50%-owned company on the equity basis.

#### c) Rental properties

These are stated at the lower of cost, less accumulated depreciation, and estimated economic value. The cost of properties constructed by the Company includes interest, real estate taxes and administrative overhead applicable to the construction period, initial leasing costs and start-up costs (net of rental income) up to the point in time when substantial occupancy has been achieved. The Company ceases to capitalize costs relating to a property under construction when the book value of the property equals its estimated economic value. Depreciation is provided using the sinking-fund method at 5% over a fifteen to forty year period.

#### d) Land held for development and land under development

These are stated at the lower of cost and net realizable value. Cost includes interest, real estate taxes and administrative costs (net of miscellaneous revenues from vacant land) which are capitalized, provided the carrying value does not thereby exceed net realizable value. In addition, land under development includes the total estimated cost of servicing for which the Company is contractually committed to municipal authorities.

#### e) Income recognition

- i) Land sales  
Sales, including sales of partial interests in land, are recorded when the Company has fulfilled all conditions required of it to consummate the sale.
- ii) Rental operations  
Revenue is treated as operating income from the date when substantial occupancy has been achieved.

#### f) Amortization of financing costs

Financing costs are amortized on a straight-line basis over the term of the related financing (or earlier redemption).

#### g) Earnings per common share

- i) Basic net earnings per common share are calculated on the average number of shares outstanding during the year after providing for dividends on preferred shares.
- ii) Fully diluted earnings per common share are calculated on the basis that all options and conversion privileges existing at the end of the year had been exercised at the beginning of the year (or when granted in the case of those granted during the year) and that funds made available were used to liquidate indebtedness.



## 2. Rental properties

	1981	1980
	(\$000's)	(\$000's)
Buildings and equipment	\$ 80,640	\$ 79,684
Less accumulated depreciation	6,927	5,554
	73,713	74,130
Land	6,731	6,731
	80,444	80,861
Under construction	34,097	19,547
	<u>\$114,541</u>	<u>\$100,408</u>

## 3. Accounts and mortgages receivable

	(\$000's)
Receivable under mortgage and land sales agreements, carrying an average interest rate of 10.89%	
1982	\$ 3,119
1983	4,937
1984	2,040
1985	59
1986	6,415
1987 and thereafter	1,100
	17,670
Trade accounts receivable and accrued interest	4,863
Amounts receivable from a company controlled by a director, officer and controlling shareholder	3,276
Amounts receivable from trustees pursuant to an employee share purchase plan and employee housing loans (including \$355,000 in respect of certain directors and officers)	596
	<u>\$ 26,405</u>

## 4. Investment in non-consolidated subsidiary

On March 25, 1981, a decision was made to dispose of the Company's investment in Grouse Mountain Resorts Ltd. (Grouse). As a result, this investment has not been consolidated but is reflected in the financial statements on the equity basis. In the Company's 1980 financial statements a provision was made reducing the Company's investment in Grouse to nil.

On June 30, 1981 Grouse was placed in receivership. Subsequently, a decision was made by management to purchase Grouse's debt to enable the Company to optimize on its position in Grouse. After reflecting the Company's equity share in Grouse's loss for its year ended October 31, 1981, the Company now has an investment at a recorded value of \$6,265,000.

As a result of the successful 1981-82 ski season experienced by Grouse, cash in the amount of \$1,200,000 has been distributed by Grouse to Mascan subsequent to December 31, 1981.

The results of Grouse's 1981 and 1980 operations and the Company's equity therein are as follows:

	1981	1980
	(\$000's)	(\$000's)
Revenues	\$ 4,612	\$ 6,022
Operating costs	4,958	6,084
Interest	-	1,433
Depreciation	655	1,045
	5,613	8,562
Net loss	1,001	2,540
Less minority interest	-	457
Equity in loss	<u>\$ 1,001</u>	<u>\$ 2,083</u>



# Mascan Corporation

## Notes To Consolidated Financial Statements – Cont.

### 5. Investment in 50%-owned company

In December 1980 the Company sold a 50% interest in its peat moss operations and on January 15, 1982 sold its remaining 50% interest in this investment (Refer Note 14). For 1981, the investment is reflected in the financial statements on the equity basis. The Company's 50% share of net earnings is \$1,256,000 (1980 (100%) – \$820,000) which has been generated from gross revenues from the peat moss operation of \$29,577,000 (1980 – \$27,399,000).

### 6. Other assets

	1981	1980
	(\$000's)	(\$000's)
Rental properties inventory (at the lower of cost and net realizable value)	\$ 663	\$ 595
Unamortized financing costs	791	1,012
Furniture, fixtures and equipment	326	362
Sundry investments	320	497
Prepaid expenses	313	94
Square One development costs	1,817	553
Residential properties for sale	497	477
Other	450	132
	<u>\$ 5,177</u>	<u>\$ 3,722</u>

### 7. Mortgages payable and other term loans

These are secured on specific assets and bear an average interest rate of 16.94%. Repayment periods and related asset security classification are as follows:

	Income properties	Land under development	Land held for development	Receivables and other	Total
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
1982	\$ 16,222	\$ 8,848	\$ 8,497	\$ 12,100	\$ 45,667
1983	18,449	1,373	15,446	–	35,268
1984	2,494	995	1,283	2,000	6,772
1985	2,590	–	82	–	2,672
1986	11,670	–	–	–	11,670
1987 and thereafter	53,095	–	111	–	53,206
	<u>\$104,520</u>	<u>\$ 11,216</u>	<u>\$ 25,419</u>	<u>\$ 14,100</u>	<u>\$155,255</u>

### 8. Funded debt

	Issued and outstanding
	(\$000's)
8% Subordinated Debentures	(a) \$ 2,809
9-1/2% First Mortgage Sinking Fund Bonds	(b) 742
11-1/2% Secured Debentures	(c) 3,505
11-3/4% Secured Debentures	(d) 2,954
11-3/4% Secured Debentures	(e) 10,800
	<u>\$ 20,810</u>



The maximum amounts required to meet sinking fund, purchase fund and redemption requirements over the next five years are as follows:

	(\$000's)
1982	\$ 1,440
1983	11,378
1984	3,060
1985	3,019
1986	434
	<u>\$ 19,331</u>

- a) 8% Subordinated Debentures (Authorized \$3,885,500) due January 15, 1989. Redeemable at the Company's option at a premium of 2.2% on or before January 14, 1982 decreasing to par in 1988. Subject to annual sinking fund payments of \$380,000.
- b) 9-1/2% First Mortgage Sinking Fund Bonds (Authorized \$6,000,000) due April 1, 1990 secured by a first fixed and specific mortgage on certain lands and a first floating charge on the undertaking and other assets of the Company. Redeemable at the option of the Company at a premium of 2.8% to April 1, 1982 decreasing to par in 1989. Subject to annual sinking fund payments of \$54,000.
- c) 11-1/2% Secured Debentures (Authorized \$8,000,000) due April 15, 1984 secured by a fixed and specific charge on certain assets and a floating charge on the undertaking and other assets of the Company ranking pari passu with the floating charge securing the 9-1/2% Bonds. Redeemable at the option of the Company at a premium of 3.4% to April 15, 1982 decreasing to par in 1984. Subject to annual sinking fund payments of \$501,000.
- d) 11-3/4% Secured Debentures (Authorized \$10,000,000) due December 15, 1985 secured by a fixed and specific mortgage on certain lands and a floating charge on the undertaking and other assets of the Company ranking pari passu with the floating charge securing the 9-1/2% Bonds. Redeemable at the option of the Company at a premium of 2.65% to December 14, 1982 decreasing to par at December 15, 1983. Subject to a commitment by the Company to acquire for redemption on the market, or by tender, at prices not exceeding 99.5% an annual amount of \$123,000.
- e) 11-3/4% Secured Debentures (Authorized \$12,000,000) due May 15, 1988 secured by a fixed and specific mortgage on certain lands and a floating charge on the undertaking and other assets of the Company ranking pari passu with the floating charge securing the 9-1/2% Bonds. Redeemable on June 15, 1983 (on election by holders after June 15, 1982 and before December 15, 1982) and thereafter at the option of the Company at a premium of 5% to May 14, 1984 decreasing to par at May 15, 1988. Subject to a commitment by the Company to acquire for redemption in the market, or by tender, at prices not exceeding 99.5% an annual amount of \$480,000 par value up to May 15, 1983 and annually thereafter 4% of the principal amount outstanding at June 15, 1983.

## 9. Bank indebtedness

Bank indebtedness of the Company and certain of its subsidiary companies is secured by various fixed and floating charges and by assignments of accounts and mortgages receivable and inventories.



# Mascan Corporation

## Notes To Consolidated Financial Statements – Cont.

### 10. Capital stock

	1981	1980
	(\$000's)	(\$000's)
Authorized: 1,000,000 First preferred shares		
643,709 Second preferred shares		
5,000,000 Common shares		
Issued: 480,000 9% cumulative redeemable first preferred shares, Series A, \$25 par value	\$ 12,000	\$ 12,000
600,716 10% cumulative redeemable second preferred shares \$20 par value (1980 – 600,282 shares)	12,014	12,006
3,003,887 Common shares, no par value (1980 – 3,001,717 shares)	1,599	1,596
	<u>\$ 25,613</u>	<u>\$ 25,602</u>

- a) The Series A first preferred shares are redeemable at the holders' option on November 1, 1982, at par and thereafter at the Company's option at \$27.25 per share to November 1, 1983, decreasing annually to par at November 1, 1987. Shareholders wishing to tender their shares for redemption were required to do so on or before the last day of April 1982. The number of shares tendered for redemption on November 1, 1982 was 459,475 shares with a par value of \$11,486,875. The Company is committed to purchase for cancellation, commencing November 1, 1982, shares in the open market on a quarterly basis at an annual rate of 5% of shares outstanding at November 1, 1982, at a price not exceeding \$25 per share.
- b) The second preferred shares are redeemable at the holders' option on May 1, 1990 at par, and may be redeemed at the Company's option at any time at \$20.40 per share. The Company is committed to purchase for cancellation, commencing May 1, 1984, shares in the open market on a six-monthly basis, at an annual rate of 4% of shares outstanding at May 1, 1984, at a price not exceeding \$20 per share.
- c) During 1981 the following shares were issued:

	Second preferred shares	Common shares
On exercise of warrants	34	170
On exercise of stock options	400	2,000
	<u>434</u>	<u>2,170</u>

Resulting from the issue of second preferred shares, a number of fractional (1/5th) certificates were issued which the Company has offered to redeem at the rate of \$4 for each 1/5th certificate. To December 31, 1981, 145 of these fractional certificates have been redeemed.

- d) At December 31, 1981, unissued shares have been reserved for:

	Second preferred shares	Common shares
i) Exercise of warrants (at \$7.50) issued in conjunction with first preferred shares, Series A	40,131	200,658
ii) Stock options to officers and employees	900	4,500
	<u>41,031</u>	<u>205,158</u>



Stock options outstanding at December 31, 1981 are as follows:

Expiry date	Exercise price	Number of shares	
		Second preferred	Common
1982	\$5.00	500	2,500
1983	\$7.60	400	2,000
		<u>900</u>	<u>4,500</u>

e) Dividend restrictions

The rights attaching to the first preferred shares, Series A provide that no dividends may be paid on the second preferred or common shares unless all first preferred dividends have been paid and unless, after payment thereof, shareholders' equity is equal to the greater of 2-1/2 times the paid-in capital of the first preferred shares or \$10,000,000. Other less restrictive provisions are imposed by the trust deeds securing the funded debt.

## 11. Financing arrangements

The Company is continuing with its process of consolidating the financial position and reducing interest bearing debt. Requirements to be satisfied in 1982, in addition to income taxes, subdivision costs and accounts payable, are \$58,600,000 as outlined elsewhere in the financial statements and will be met by refinancings and sales of properties.

The disposition of this amount is expected to be discharged from financings for which commitments are arranged and from proceeds of sales of properties which have occurred subsequent to the year end amounting to \$28,600,000. The balance of \$30,000,000 is expected to be discharged from further sales of properties and financings yet to be arranged. Of this amount, there is a letter of intent in regard to a sale of property from which net proceeds would be \$13,000,000.

## 12. Joint ventures in real estate projects

- a) The Company's share of assets and liabilities of these joint ventures, included on a line by line basis in the financial statements, is:

	1981	1980
	(\$000's)	(\$000's)
Rental property under construction	\$ 34,097	\$ 19,547
Land held for development	32,374	29,622
Land under development	13,981	14,326
Accounts and mortgages receivable	4,167	1,721
Other assets	523	489
	<u>85,142</u>	<u>65,705</u>
Liabilities	25,286	14,261
Equity	<u>\$ 59,856</u>	<u>\$ 51,444</u>

- b) The Company's share of gross operating revenue of these joint ventures included in the financial statements is \$7,930,000 (1980 - \$1,206,000). Earnings from operations are \$2,980,000 (1980 - \$332,000).

## 13. Contingent liabilities

- a) The Company is contingently liable for its associates' share of obligations in unincorporated joint ventures amounting to approximately \$24,175,000 at December 31, 1981. In each case, the associates' share of the assets is available and is adequate to meet such obligations.



# Mascan Corporation

## Notes To Consolidated Financial Statements – Cont.

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- b) Legal proceedings were commenced in 1979 against the Company arising from alleged construction deficiencies in the amount of \$2,000,000. This action is being defended on behalf of the Company. Management is of the opinion that the Company has justifiable defence to this claim and that the liability, if any, which could possibly result therefrom would not be material to these consolidated financial statements.

### 14. Subsequent events

In January 1982, the Company sold its remaining 50% interest in Fisons-Western Peat Corporation to Fisons Corporation and approximately 10 acres of its Mississauga City Centre lands to the Corporation of the City of Mississauga. As a result of these transactions the Company received cash of \$13,500,000, from which it discharged indebtedness of \$8,200,000. Net earnings after provision for estimated income taxes resulting from these transactions amounts to approximately \$3,400,000.

### 15. Segmented information

The primary business of the Company comprises the investment in rental properties and the development and sale of land. The operating results and amounts invested in these segments of the Company's business are reflected in the financial statements.

### 16. Related party transactions

- a) Pursuant to a "General Consulting Agreement" between the Company and a company controlled by a director, officer and controlling shareholder, payments have been made totalling \$670,000, including \$170,000 as an annual fee and amounts of \$180,000, \$170,000 and \$150,000 for additional services.
- b) In 1980 a secured interest bearing loan of \$2,500,000 was made by a subsidiary company to a company owned by a director, officer and controlling shareholder. Accrued interest on this loan at December 31, 1981 amounted to \$775,000. Principal and interest on the loan is due and payable on June 30, 1983.
- c) In 1981 a subsidiary company purchased from a company owned by a director, officer and controlling shareholder his rights and obligations under a U.S. management contract. The purchase price was \$172,000 plus reimbursement of expenses amounting to \$144,000.
- d) Pursuant to various contracts, the Company paid \$425,000 for engineering services provided by a company controlled by a director of the Company.
- e) The Company increased an existing loan by \$420,000 to \$1,820,000 from a company controlled by a director of the Company. The loan is secured by a mortgage on certain of the Company's lands. Interest payments on this loan in 1981 were \$369,000.

### 17. Other information

- a) Interest costs have been allocated as follows:

	1981	1980
	(\$000's)	(\$000's)
Properties under construction	\$ 3,835	\$ 1,443
Land	8,274	6,083
Interest expense		
Rental properties	11,011	6,866
General	4,530	4,891
Total interest costs	<u>\$ 27,650</u>	<u>\$ 19,283</u>



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- b) During the year \$901,000 (1980 – \$573,000) has been allocated to land and construction in progress in respect of real estate taxes and administrative costs.
- c) Included in the amounts charged to interest and general and administration expenses are the following amounts which relate to properties against which capitalization of such costs is no longer appropriate under the accounting policies outlined in Note 1c and 1d.

	1981	1980
	(\$000's)	(\$000's)
Interest	\$ 2,346	\$ 2,929
General and administration	440	1,158
	<u>\$ 2,786</u>	<u>\$ 4,087</u>

- d) Remuneration paid during the year to senior officers of the Company as defined by the Ontario Business Corporations Act amounted to \$468,000 (1980 – \$947,000) and to directors of the Company \$32,000 (1980 – \$9,000).
- e) Certain of the 1980 comparative figures have been restated to conform with the 1981 presentation.

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(shown on following pages)

Construction progress during the last year in the Company's Britannia Business Park, a joint venture project with Guaranty Properties Limited, has been extremely active. Currently, the following companies have located facilities in the prestigious commercial/industrial development located adjacent to Mississauga City Centre:

Shell Canada	Die-master Tools Inc.
Pascal Furniture Store	Massey-Ferguson
Steintron Electronics	Masteroyne Ltd.
Cheshire Industries	Fibre-Metals of Canada Ltd.
Walbar Industries	Associated Industrial Rubber
Myod Industries	Culligan (West) Ltd.
Marlin Motion Pictures	Wayne Forge Limited
National Geographic	













**MASCAN**  
CORPORATION